

Message Text

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63

ACTION EB-06

INFO OCT-01 CIAE-00 DODE-00 NSAE-00 RSC-01 TRSE-00 EA-10

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R 310845Z OCT 74

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 2701

USDOC WASHDC

INFO USLO PEKING

AMEMBASSY PARIS

AMEMBASSY TOKYO

AMEMBASSY TAIPEI

USEC BRUSSELS 112

UNCLAS HONG KONG 11848

EXCON

E.O. 11652: N/A

TAGS: ESTC, CH, JA

SUBJECT: RELAXATION OF COCOM RESTRICTIONS

REF: HK 11838

1. TEXT OF SOUTH CHINA MORNING POST (SCMP) STORY FOLLOWS:

"PRESSURES ARE BUILDING UP FROM WESTERN COUNTRIES AS WELL AS ASIA'S INDUSTRIAL GIANT, JAPAN, ON THE PARIS-BASED COMMITTEE FOR TRADING WITH COMMUNIST COUNTRIES (COCOM) TO LIFT THE EMBARGO ON SALES OF ADVANCED TECHNOLOGICAL PROCESSES TO CHINA.

"THIS WAS DISCLOSED TO THE SCMP YESTERDAY BY SOURCES WHO HAD RECENTLY RETURNED FROM A VISIT TO THE CANTON AUTUMN FAIR.

"THEY SAID ASSESSMENTS WOULD BE MADE OVER THE NEXT FEW MONTHS ON WHAT PARTICULAR LINES OF TECHNOLOGY CHINA WOULD MOST LIKELY WANT FROM ADVANCED INDUSTRIAL COUNTRIES AND THIS INFORMATION WOULD BE PASSED ON TO COCOM FOR CONSIDERATION.

"MULTI-NATIONAL INDUSTRIAL CONGLOMERATES ARE GENERALLY

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OF THE OPINION THAT THE RIGID 'STRATEGIC EMBARGO LIST'

DRAWN UP BY COCOM SHOULD BE RELAXED TO ALLOW A WIDER EXCHANGE OF TECHNOLOGY BETWEEN CHINA AND THE WEST. 'IF CHINA CANNOT GET WHAT SHE WANTS FROM COUNTRIES SUBSCRIBING TO THE COCOM AGREEMENT, THEN SHE WILL START LOOKING ELSEWHERE,' THE SOURCES SAID. 'IN REAL BUSINESS TERMS TOO, THIS ATTITUDE COULD BE EXTREMELY UNPRODUCTIVE, SINCE CHINA IS NOW THE WORLD'S BIGGEST MARKET FOR TECHNOLOGY.'

"ON EXAMPLE OF THIS WAS THE JAPANESE ELECTRONICS INDUSTRY WHICH LAST YEAR LOST MORE THAN \$100 MILLION BECAUSE IT FOUND ITSELF UNABLE TO ACCEPT AN OFFER TO BUILD A MAJOR SEMI-CONDUCTOR FACILITY IN CHINA.

"IT WAS POINTED OUT THAT THE MAIN STUMBLING BLOCK TO THE RELAXATION OF THE STRATEGIC EMBARGO LIST WAS THE UNCERTAINTY OVER WHETHER CHINA WOULD UNDERTAKE TO JOIN INTERNATIONAL ARRANGEMENTS TO ENSURE THAT TECHNOLOGICAL SECRETS IT OBTAINED WOULD NOT BE PASSED TO 'THIRD COUNTRIES.'

"ON THE OTHER HAND, HOWEVER, SINCE THE ESTABLISHMENT OF 'PING-PONG DIPLOMACY,' CHINA HAS DEMONSTRATED ITS WILLINGNESS TO PAY FOR TECHNOLOGY PROCESSES OR COMPENSATION FOR PATENT RIGHTS.

"SOURCES SAID THIS COULD BE SEEN FROM THE LARGE SUMS APPROVED BY THE U.S. GOVERNMENT FOR THE EXPORT OF TECHNICAL DATA.

"BETWEEN THE END OF 1971 AND THE END OF 1973, THE U.S. GOVERNMENT GAVE ITS APPROVAL TO THE EXPORT OF TECHNICAL DATA WORTH NEARLY \$2,000 MILLION.

"ACTUAL CONTRACTS RECEIVED BY AMERICAN FIRMS OVER THIS PERIOD AMOUNTED TO OVER \$750 MILLION."
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